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STATE OF CALIFORNIA
Office of the Auditor General

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SACRAMENTO, CA 95814

Kurt R. Sjoberg
Auditor General (acting)

July 29, 1991

P-951

Robert Campbell, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 2163
Sacramento, California 95814


Dear Mr. Chairman and Members:

In August 1989, former State Senator John Seymour requested that the Auditor General conduct an audit of the California Veterans Home at Yountville's Master Plan of 1980. The master plan was to renovate 24 buildings at the facility. The Joint Legislative Audit Committee approved this audit. At the June 19, 1991 hearing, in lieu of completing an audit at this time, the committee directed us to request that the Department of General Services provide background and an update of its activities related to the home's master plan.

On June 24, 1991, we sent a letter to Ms. Bonnie Guiton, Secretary of State and Consumer Services Agency, requesting the information related to the home's renovation plan. On July 15, 1991, Ms. Barbara Fitzer, Deputy Secretary of State and Consumer Services Agency, provided us with the Department of General Services' response to our request. For your information, we have attached a copy of the department's response.

If you have questions in this matter, please contact me.

Sincerely,


KURT R. SJOBERG
Auditor General (acting)

Attachment



State and
Consumer Services Agency

OFFICE OF THE SECRETARY

915 CAPITOL MALL, SUITE 200
SACRAMENTO, CA 95814

Building Standards Commission
Consumer Affairs
Fair Employment & Housing
Fire Marshal
Franchise Tax Board
General Services
Museum of Science & Industry
Personnel Board
Public Employees' Retirement System
Teachers' Retirement System
Veterans Affairs

July 15, 1991

Mr. Kurt R. Sjoberg
Acting Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, Ca 95814

Dear Mr. Sjoberg:

RE: INFORMATION REQUEST - P-951

Attached is the response from the Department of General Services regarding information on the California Veterans' Home at Yountville's Master Plan of 1980 to renovate 24 Buildings.

If you need further information or assistance on this issue, please call Loren C. Smith, Deputy Director, Real Estate and Building Division, at 445-9788.

Best Regards

A handwritten signature in cursive script that reads "Barbara Fitzer".

BARBARA FITZER
Deputy Secretary

BF:mb

cc: Joint Legislative Audit Committee
Loren C. Smith, Deputy Director, DGS

Memorandum

Date : July 11, 1991

File No.: P-951

To : Dr. Bonnie Guiton, Secretary
State and Consumer Services Agency
915 Capitol Mall, Room 200
Sacramento, CA 95814
C-14

From : Executive Office
Department of General Services

Subject: **VETERANS HOME RENOVATION MASTER PLAN
ANALYSIS OF PROGRAM COST AND SCHEDULE**

In response to the letter from the Office of the Auditor General (OAG) dated June 24, 1991, the following information is provided. This information was requested by the OAG based on the direction of the Joint Legislative Audit Committee. The Committee requested that the Department of General Services (DGS) provide background and an update of its activities related to the California Veterans Home's Renovation Master Plan.

BACKGROUND:

The California Veterans Home at Yountville consists of 24 major buildings on about 800 acres of property. The first major buildings, including Holderman Hospital, were constructed in 1930; there were additions and expansions over the years, and an acute care wing was added to the hospital in 1986.

In 1975, it was determined that a plan was needed to correct various fire and life safety deficiencies which had been reported by inspecting officials, including the licensing authority, the Department of Health Services. A number of studies were conducted by the administration at the Home of alternatives to bring the facilities into compliance with regulations and to provide environmental upgrades for patient comfort. As a result, a conceptual master plan for renovations and improvements was prepared in 1979 and submitted to the Legislature for consideration.

This plan was predicated on a rather limited scope of improvements, without the benefit of architectural/engineering design or cost estimating; the work proposed was meant to correct obvious deficiencies and to enhance the livability of the buildings.

The plan, entitled "Master Plan - Phase I," provided a brief summary of work to be accomplished in each building, projects to be started over each of the next six fiscal years beginning with Fiscal Year (FY) 1980-81, and an estimate of cost totalling \$30,700,000. An important element of the plan was the scheduling of the projects wherein Members would be relocated from one residence to another so that renovation could take place in unoccupied spaces.

The execution of the plan was begun under normal State procedures, with the Department of Veterans Affairs (DVA) budgeting major capital outlay projects and the Office of the State Architect (OSA) having the responsibility for preparation of budget packages, and subsequently for development of preliminary plans and working drawings and for the bidding, administration, and supervision of construction contracts.

CHRONOLOGY:

- FY 1979-80 Conceptual master plan prepared by Veterans Home staff, submitted to Legislature for consideration.
- FY 1980-81 OSA was directed to prepare budget packages for the first major capital outlay projects.
- FY 1981-82 Budget Act provided funds for a study for a new Acute Care Addition to Holderman Hospital and for budget packages for renovations of Domiciliary Sections A and C.
- FY 1982-83 Budget Act provided funds for preliminary plans for the above projects and for Sections B, D, and E. Funds were also appropriated for budget packages for six more buildings.
- FY 1983-84 Due to budget limitations, the only funds appropriated this year were for working drawings for Acute Care.
- In January 1983, the first applications for Federal funding support (65%) were submitted to the Veterans Administration (VA).
- FY 1984-85 The first funding for construction was provided in this Budget Act, for the Acute Care Addition. Additional design funds were provided for other projects.
- In September 1984, legislation was passed as an urgency measure to accelerate the Master Plan, requiring the preparation of a revised construction schedule.
- In June 1985, bids were opened for the construction of the Acute Care Addition; construction started in September 1985.
- FY 1985-86 Funds were appropriated for construction phase of Sections A, C, and D, and for design of other projects.
- Sections A and C both experienced construction delays of approximately twelve months due to unforeseeable below-grade water and major utility line failures; since these buildings were critical to the swing space schedule, the delays impacted the total program.

FY 1986-87 Funding of design and construction continued. In October 1988,
thru bids were opened for two projects, Wards 2, 3E, and
FY 1988-89 Administration, and Hospital Support Services A-A. The low bids
exceeded the funds available, and an agreement was reached
between DVA, OSA, and the Department of Finance (DOF) to suspend
action and reevaluate the program.

At this point, a Budget Change Proposal (BCP) was prepared to
provide for a construction program management effort to be
managed by the Office of Project Development and Management
(OPDM), in coordination with DVA.

FY 1989-90 Effective July 1, 1989, OPDM assumed management control of the
remaining work on the renovation program, and funds were
appropriated for several project-specific tasks, including a
detailed review of plans and specifications, asbestos surveys,
value engineering, and new detailed cost estimates for the
following projects:

- (1) Wards 2, 3E, and Administration
- (2) Hospital Support Services A-A
- (3) Wards 1, 2, and 3B
- (4) Section H
- (5) Section K

In a subsequent budget bill, start-up funding was provided for
OPDM to initiate the construction program management effort, and
a consulting firm was retained to assist OPDM.

FY 1990-91 Under direction of OPDM, bids were taken for the first two
projects, as a combined contract, and construction began in
January 1991. Funds were appropriated for additional plan
reviews and for full program management services, which focused
on the following chief efforts:

- (1) A revised and updated program schedule
- (2) A funding schedule for the remainder of the work
- (3) An updated "swing space" schedule
- (4) Establishment of procedures for managing the work
- (5) Review of criteria and standards for renovation
- (6) Development of information/reporting systems

SCHEDULE EXTENSION:

The initial schedule, which proposed the starting of projects over a period of
six fiscal years, would have required at least ten years to accomplish even if
full funding had been immediately available. This is because the State process
involves sequential annual funding of study, preliminary plan, working drawing,
and construction phases.

In fact, the first funds for construction were not provided until FY 1984-85 (for the Acute Care Addition to Holderman Hospital), so that a normal two-year period for construction would bring completion in FY 1986-87.

Because of the swing space requirement to house the Members, the program involves renovating one building at a time.

OSA was not specifically assigned responsibility for management of the effort on a program-wide basis, and neither DVA nor the Home had the staff capability to perform such a complex management activity.

When the program started, there was a lack of definition and detail of the scope of work, criteria for renovation, standards, and existing conditions from which design and cost estimating could be accurately and comprehensively performed. Each project involved lengthy analysis, design study, and scope changes as working drawings were developed.

As the program progressed, additional projects were identified, such as site-wide electrical service upgrading, storm drainage, and central chiller plant capacity, and Federal requirements were applied when VA funding participation became available.

The availability of Federal funding support, at approximately 65% of project costs, brought with it a natural stretching out of the total process because such support was limited during each fiscal year.

COST INCREASES:

The initial cost figures provided by the Home in 1979 were intended as planning estimates and were conceptual in nature. They were not based on a comprehensive or detailed analysis of scope of work, existing conditions, or designs. When subsequent design work was done to address the actual scope of renovation required to meet all the codes and criteria, more realistic costs became apparent.

The fact is that the scope of the renovation work in each building, as it was finally developed through the study and design process, could never have been performed for the costs estimated in the Plan.

Major increases in scope included such items as air conditioning, asbestos abatement, historic preservation efforts, and attention to all of the VA requirements, as well as the identification of program needs which had simply not been identified when the initial planning was done. As an example, the cost to renovate Domiciliary Section F was initially estimated at \$100,000, to provide for handicapped access; the actual cost, after the total scope was revised to include compliance with VA requirements, was over \$3,000,000.

DGS ACTIONS AND RESPONSIBILITIES SINCE PROGRAM INCEPTION:

In 1980, OSA was given the responsibility for executing the renovations and improvements, project by project. As funds were appropriated for the various major capital outlay projects within the program, OSA prepared the plans and specifications, using a combination of in-house staff and private architectural-engineering consultants. OSA then advertised for bids, awarded contracts, and administered the contracts for the work on each project.

In late 1988, bids were opened on two projects, for Wing E of the hospital and for Support Services spaces for Wing A-A; bids exceeded the budget for construction, and it was decided to suspend these and subsequent projects.

DVA, in consultation with OPDM, OSA, and DOF, prepared a Capital Outlay Budget Change Proposal (COBCP) to allow DVA to contract with a private firm to furnish program management services. A revised version of this proposal was approved by the Legislature in 1989, and OPDM was assigned the responsibility of managing the remaining renovation effort. A multi-discipline construction management firm was selected and retained by OPDM for this purpose, starting in July 1989. Since that time, OPDM has managed the master plan renovations, while continuing to use the services of OSA as architect-engineers for those projects which OSA had started.

CURRENT STATUS OF RENOVATION:

Project	Estimated Cost	Completion Date
Acute Care Addition	\$ 9,824,000	07/88
Section A (Domiciliary)	2,927,000	12/87
Section C "	3,903,000	06/87
Section D "	2,836,000	03/88
Primary Electrical Service	370,000	04/89
Storm Drain Modifications	649,000	04/88
Section F (Residential)	3,122,000	07/89
Section E (Domiciliary)	3,127,000	02/90
Support Services, Wing A	843,000	07/91*
Wards 1, 2, 3A	3,140,000	07/91*
Wards 1, 2, 3B/Electrical Svcs	5,182,000	07/92*
Section B (Intermediate Care)	3,907,000	07/91*
Wards 2, 3E, Admin/Supp Svcs A-A	7,238,000	03/92*
Sections H and K (Domiciliary)	4,150,000	02/93*
Annex II (Intermediate Care)	5,179,000	03/94*
Section J (Domiciliary)	1,660,000	04/94*
Section G (Intermediate Care)	5,336,000	04/95*
Wards 1, 2, 3D	4,322,000	06/95*
Section L (Domiciliary)	2,041,000	07/95*
Annex I (Intermediate Care)	3,876,000	07/96*
Wards 1, 2, 3C	3,600,000	09/97*
Main Kitchen Renovation	6,898,000	06/95*

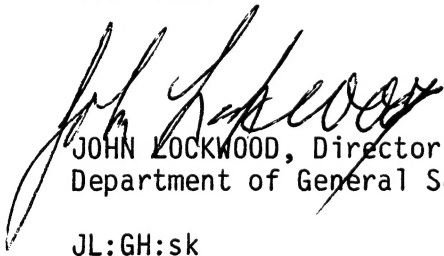
Sprinkler Backflow Prevention	266,000	10/93*
Additional Chiller Capacity	406,000	04/93*
Activity and Nursing Services	2,725,000	02/96*
Recreation/Theater Building	3,310,000	02/97*
Administration Building	3,310,000	04/97*
Program Management	<u>1,502,000</u>	N/A
Total	\$95,649,000	

Note: * Planned completion dates, dependent on funding

SUMMARY:

The program for renovation of facilities at the Veterans Home was started without detailed scope, budget, or schedule development. The information on which to base plan analysis is now available, and the work is proceeding according to the revised schedule and budget. Appropriate codes, standards, and criteria are being used to define the scope of renovation work, and sound processes for managing the effort are in place.

If you need further assistance or information on this issue, please call Loren C. Smith, Deputy Director, Real Estate and Building Division, at 445-9788.



JOHN LOCKWOOD, Director
Department of General Services

JL:GH:sk